



THRIFT
SAVINGS
PLAN

FERCCA Payroll Meeting,
April 18, 2006
Atlanta, GA

Discussion Examples

- CSRS to FERS
- FERS to CSRS
- FERS or CSRS to FICA
- Applying breakage on contributions deposited prior to FERCCA instructions (CSRS to FERS)

CSRS to FERS

- Determine when employee would have been eligible to contribute to and receive agency contributions in the TSP
- Determine if (and when) the employee elected to contribute to the TSP
- Based on basic pay earned each applicable pay date, determine the agency automatic (1%) contributions the employee is entitled to receive, and any agency matching contributions based on employee contributions made (while coded CSRS)
- Submit employee data (06) record to change to retirement coverage from CSRS to FERS or establish TSP account as a FERS employee

CSRS to FERS

- Submit late (46) payment records, by applicable pay date for each agency automatic (1%) and applicable matching contribution the employee is entitled to
 - Breakage will be computed and posted to the account based on the pay date on the payment records
 - Pay dates prior to December 1, 1999, will receive the greater of (for each month) the G Fund return or the average return of all funds
 - Pay dates on or after January 1, 2000, will receive breakage based on the contribution allocation on file in the account. If none on file, then the G Fund return/share price is used

CSRS to FERS

- Based on the employee election to make up contributions missed, establish a schedule and deduct make up contributions from future basic pay. Submit amounts on late payment record(s)
 - Agency may need to submit more than one late payment record if make up contribution amount deducted covers more than one retroactive pay date

Example:

FERCCA employee requests agency set up repayment plan over 3 years to make up 6 years worth of TSP not deducted from pay.

When repayment is deducted the make up amount equals deductions from 2 pay dates.

Two separate late payment records would be submitted (in addition to the regular deduction of TSP from pay coming in on a current payment record) to cover the retroactive contribution.

CSRS to FERS

Example (continued):

FERCCA employee requests agency set up repayment plan over 3 years to make up 6 years worth of TSP not deducted from pay. When repayment is deducted the make up amount equals deductions from 2 pay dates. Two separate late payment records would be submitted (in addition to the regular deduction of TSP from pay coming in on a current payment record) to cover the retroactive contribution.

Each retroactive repayment amount would receive the appropriate breakage back to its original pay date

\$444.66 is deducted from pay for the retroactive contribution. One late payment record would come in with a \$222.33 employee contribution and \$88.92 in matching with a February 16, 1997, pay date, the other late payment record would be for the same amounts with a March 2, 1997, pay date.

The net amount of breakage on each late payment would be different, since one has a (slightly) longer period of time to calculate breakage over than the other payment record. Each contribution will have its own breakage amount posted when the contribution is posted to the account.

CSRS to FERS

- If the employee is entitled to agency matching contributions based on the make-up employee contribution submit agency matching contributions on the same late payment record. The TSP will calculate breakage on this amount separately and apply the same rules based on the “as of” date provided
- As long as employee contributions are submitted with their original pay dates, each contribution will be applied towards the appropriate elective deferral limit. In those years that the employee exceeds the limit, the amounts of make up attributable to prior year’s must be annotated in a separate block on IRS Form W-2.
 - For payroll offices that do not separate deferral amounts when the make up and current contributions do not exceed the IRS limit in place that year, a corrected W-2 may need to be provided for participants who have contributed to more than one plan when the total amount deferred reflected on all W-2s appears to indicate the elective deferral limit was exceeded

CSRS to FERS

- For retroactive agency contributions corrected prior to June 1, 2003, agencies should have submitted lost earnings (51) records to request TSP calculate and post lost earnings.
 - If a make up contribution was posted prior to June 1, 2003, and lost earnings records were not submitted, the agency can no longer submit lost earnings (51) records to the TSP record keeper for processing
 - OPM may calculate breakage on these agency contributions and request the amount be submitted on a TSP-71 record

CSRS to FERS – Reports received from TSP

- Report TSP 1702, Payroll Office Recap of Journal Voucher Processing – will show the summary of charges, credits, rejects and the number of records processed in the payroll submission
- Report TSP 1701, Error Report – identifies those records that were not processed with corresponding code
- Report TSP 5014, Summary of Breakage Charges – will show the total breakage charged in the JV submission
- Report TSP 5015, Breakage Report by Agency & Participant
 - Available upon request by the agency
- Report TSP 5016, Detailed Breakage Report by Participant
 - Available upon request by the agency
 - Provides a more detailed summary by contribution and fund of the net breakage calculated and the breakdown of the breakage amount (positive or negative) posted to the account

FERS to CSRS

- Submit Employee Data (06) Record to change to retirement coverage from FERS to CSRS
- Submit negative adjustment (26) records, by applicable pay date for each agency automatic (1%) and applicable matching contribution the agency deposited less than one year from when submission is made
 - TSP will return the exact amount if the contribution value is positive, or the lesser value (if losses occur) to the agency
 - Negative adjustment records more than one year old will be processed by the TSP. The TSP will remove these contributions from the participant's account along with associated earnings. The agency will not receive a credit on these amounts and an error code for these records will show on the TSP error report

FERS to CSRS

- Contact the Thrift Investment Board after retirement code is corrected all eligible negative adjustment records are processed. The Board will remove the remaining agency contributions and residual earnings from the participant's account
 - If these contributions are not removed, the employee will be prohibited from obtaining a loan, in-service or post-service withdrawal

FERS to CSRS

- Prior to January 2006, certain employee contributions submitted that were greater than the maximum percentage allowed for CSRS can be returned to the employee if he/she requests
 - The TSP will accept negative adjustment records with an “as of” date on or after January 1, 2000
 - The net value of the contribution is returned to the agency. The original amount deducted is returned to the employee
 - The returned amount is income earned in the year it is returned to the employee
 - Positive earnings on employee contributions remain in the account
 - The TSP will not process negative adjustment records with an “as of” date prior to January 1, 2000
 - The contribution and associated earnings will remain in the employee’s account until appropriately withdrawn by the employee
- If the employee requests, the employee contributions may remain in the TSP account

FERS to CSRS– Reports Received From TSP

- Report TSP 1702, Payroll Office Recap of Journal Voucher Processing – will show the summary of charges, credits, rejects and the number of records processed in the payroll submission
- Report TSP 1701, Error Report – identifies those records that were not processed with corresponding code
- Report TSP 31503, Report of Detail Negative Adjustment Records Processed – provides details on the net effect of the negative adjustment(s) (processed in the JV submission) in the participant's account
- Report TSP 31504, Summary Report of Negative Adjustments Processed – provides a payroll accounting and reconciliation tool showing the net amounts returned to the agency from the JV submission

FERS or CSRS to FICA

- Follow the same procedures as correction from FERS to CSRS except:
 - The employee is now ineligible to contribute to the TSP. Stop future contributions to the TSP account
 - When submitting the employee data record to correct the retirement coverage, change the retirement code to (4) none
 - The employee data record should reflect a status code of “I” for ineligible for TSP. The status date may be the effective pay date the agency used in this (or its last) payroll submission
 - In order to allow the employee access to those employee contributions that cannot be returned through negative adjustments, along with earnings on all employee contributions made, submit an employment code of “S” separated with and employment code date. The employment code date may be the pay date the agency used in this (or its last) payroll submission

FERS or CSRS to FICA

- Submit negative adjustment records for applicable agency contributions that are less than one year old
- Contact the Thrift Investment Board once the retirement code is corrected and all appropriate negative adjustment records have been processed to return agency contributions. The TSP will process the removal of the remaining agency contributions and residual earnings
- The employee may request the agency leave all employee contributions in the account. Only those employee contributions deposited on or after January 1, 2000, can be returned to the agency. The agency must return the exact amount of the original contribution to the employee
 - Returned amounts are income earned in the year received

Applying Breakage to TSP Corrections (CSRS to FERS)

- Participants who have deposited make-up employee contributions prior to the agency beginning corrections under FERCCA, are entitled breakage on the employee contributions previously made up
 - Some participants may also be entitled to breakage on retroactive agency contributions deposited where no lost earnings records were submitted

Applying Breakage to TSP Corrections (CSRS to FERS)

- OPM has a calculator which applies the TSP earnings calculations for monthly and daily valuation of TSP accounts to determine breakage participant is entitled to on these amounts
- OPM will apply appropriate breakage rules to determine the amount of earnings the employee is entitled to on amounts previously made up
 - OPM may have to calculate breakage on agency contributions if the agency did not follow up by submitting TSP lost earnings records

Applying Breakage to TSP Corrections (CSRS to FERS)

- Once the amount(s) of breakage are determined by OPM, the agency payroll office submits TSP FERCCA earnings (71) record
 - TSP Web-based submission only
 - TSP-2F, Journal Voucher submitted with record

Applying Breakage to TSP Corrections (CSRS to FERS)

- Once 71 record submitted, TSP will deposit amount of breakage identified on record
 - OPM provides agency an “as of” date its breakage was calculated
 - Agency provides same “as of” date on 71 record
 - If deposit is made 30 days or more from “as of” date, TSP will calculate and charge additional breakage on original amount
 - Agency payroll office will receive report of FERCCA earnings charged to its Treasury account
 - And additional breakage if amount(s) on 71 record were deposited 30 days or more from “as of” date